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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board

SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – P10 FINANCE REPORT

Period 10 Data (January 2020)

EXECUTIVE SUMMARY: PERIOD 10

In Month

£ 1,195,920 **overspent**

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	--22,923	-22,924	0	0%
Pay	46,766	46,327	-438	0.94%
Non Pay	50,436	52,069	1,633	3.29%
Total	74,278	75,472	1,195	1.65%

Cumulative

£ 12,296,001 **overspent**

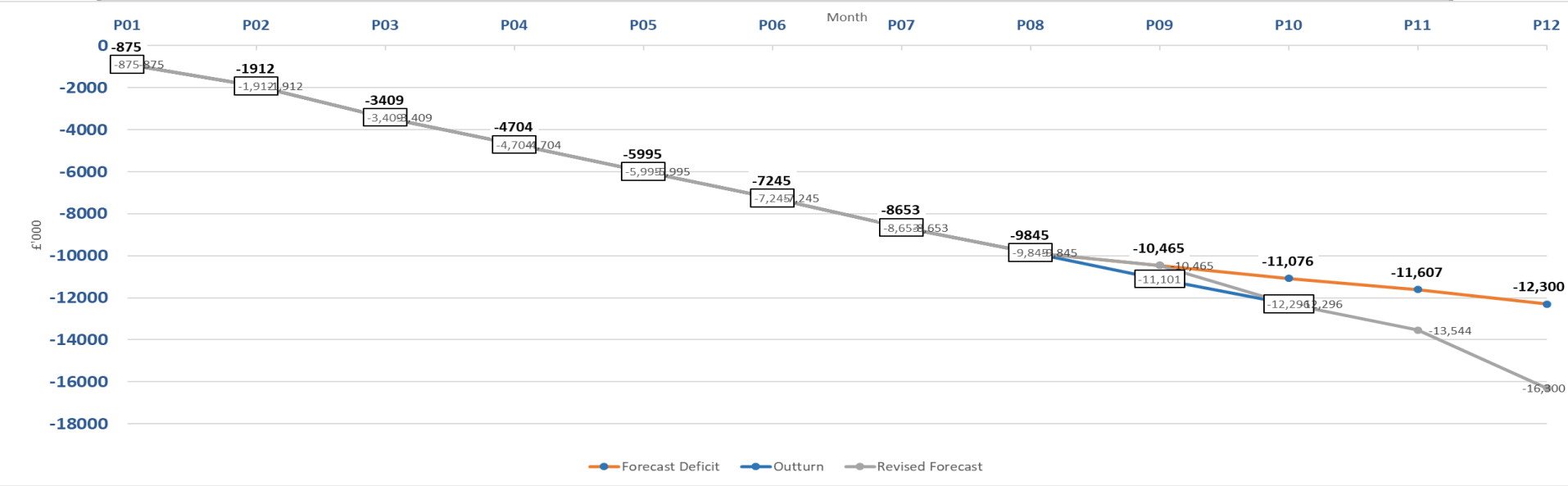
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-219,222	-220,592	-1,369	0.62%
Pay	460,930	459,641	-1,289	0.28%
Non Pay	489,910	504,864	14,954	3.06%
Total	731,618	743,913	12,296	1.69%

Forecast

£16,300,000

Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	(242,653)	(244,298)	(1,645)	(0.68%)
Pay	527,657	526,107	(1,550)	(0.29%)
Non Pay	564,764	584,259	19,495	3.45%
Total	849,768	866,068	16,300	1.9%

Full Year Financial Performance and Projection



TARGETS

Revenue		
Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £'000	Trend
Reported in-month financial position – deficit/(surplus)	1,195	↓
Reported year to date financial position – deficit/(surplus)	12,296	↑
Current reported year end forecast – deficit/(surplus)	16,300	↓

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government		
Current reported year end forecast – deficit/(surplus) – Forecast Green	Breakeven	→
Cumulative year to date position – deficit/(surplus) – Forecast Amber	(2,175)	↑
PSPP		
PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %	Trend
Cumulative year to date % of invoices paid within 30 days (by number) – Forecast Red	93.79	↓

Revenue

1. The Health Board committed to achieving financial balance in 2019/20 and developed a balanced core financial plan. This however excluded the impact of the diseconomies of scale associated with the clinical and corporate management costs following the Bridgend Boundary Change, which were identified as £5.4m and added a significant additional pressure to the Health Board's delivery requirement.
2. Throughout the financial year, the Health Board has been reporting an overspend and as the year progressed the ability to recover and deliver financial balance became more challenging. In Month 9 the Health Board revised its year-end forecast outturn from financial balance to a deficit of £12.3m, this position was supported by the review undertaken by KPMG, who assessed the year-end forecast to be between £12m-£14m. The £12.3m forecast deficit included the delivery of the suite of actions that the Health Board agreed in November.
3. The Month 10 reported position is an in-month overspend of £1.195m, which whilst broadly in line with recent months performance, is disappointing as the forecast trajectory required to deliver £12.3m was £0.6m. This month's financial performance seriously challenges the Health Board ability to deliver the £12.3m year-end forecast.
4. The Health Board has therefore increased its year-end forecast to a deficit of £16.3m.

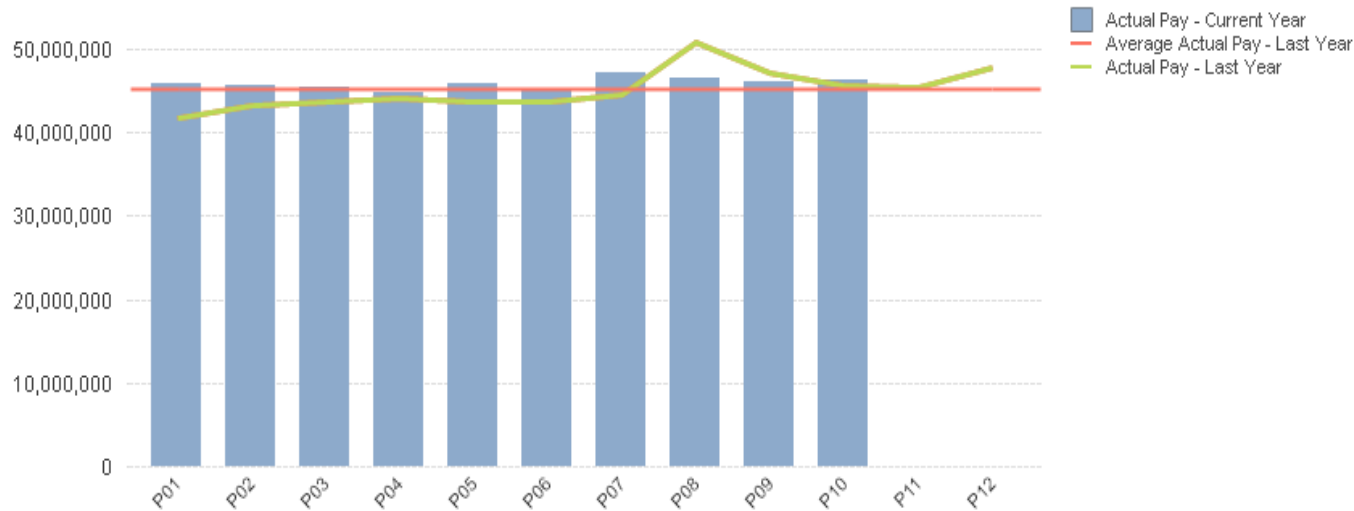
Capital Narrative

1. Approved CRL value for 19/20 issued on 07/02/20 is £30.731m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
2. Underspend to date relates to a number of schemes as detailed in the Annex, there is no anticipated impact on the year end forecast due to these underspends to date.
3. There are 5 All Wales Capital schemes reported to Welsh Government as high risk. There is 1 scheme classified as medium risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
4. The forecast outturn position for 19/20 is breakeven.

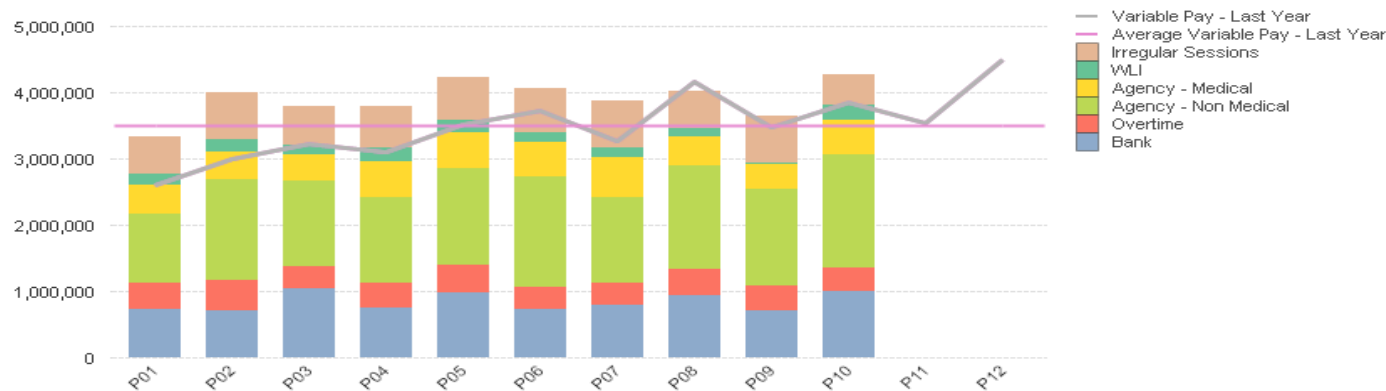
PSPP Narrative

1. The number of invoices paid within 30 days in January was again below the 95% target, with in month performance being 89.16% The non compliance in January due again partly due to the availability of cash with supplier payment runs in the last week of the month having to be reduced in value due to a shortage of cash. This was exacerbated by delays in the payment of nurse bank invoices with a number of these invoices missing the 30 day target by less than 3 days.
2. The performance in January resulted in the cumulative compliance for the year reducing from 94.3% to 93.8% . Given the current position, it is unlikely that even if performance is above 95% for February and March at that the cumulative figure will reach the 95% target by the end of the financial year.

Actual Pay Expenditure This Year and Last Year

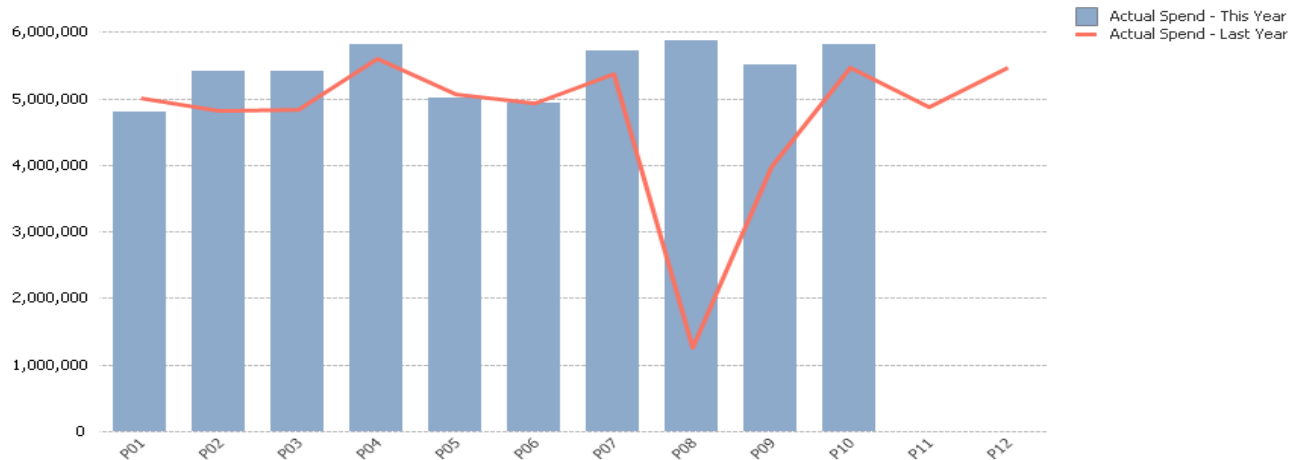


Variable Pay Expenditure This Year and Last Year

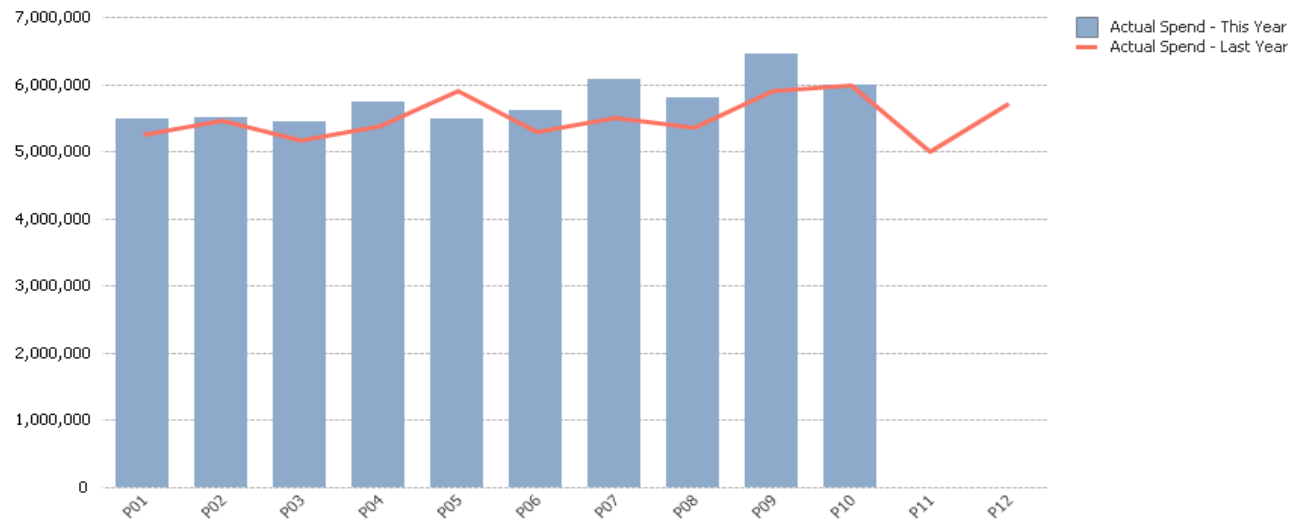


- The overall pay spend in P10 is broadly static from the previous month.
- Generally spend is above that of the average for the previous year.
- Variable Pay spend has increased in-month.
- This month has seen the highest level of nursing bank and agency costs, despite the lower level of usage reported during the first week in January.
- This is reflective of the significant operational pressures experienced by the Health Board.
- Medical Variable Pay (excluding WLI) has remained broadly static.

Secondary Care Drugs Trend Analysis



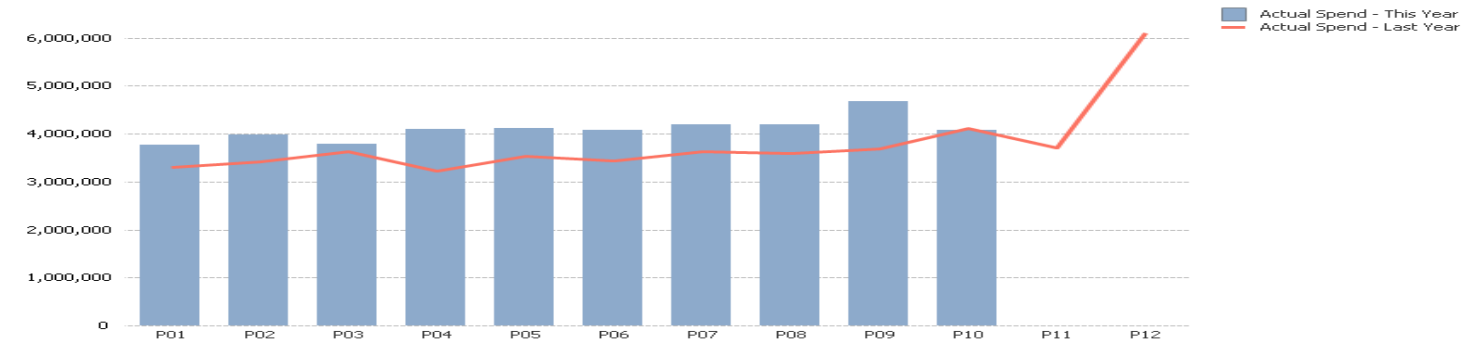
Primary Care Drugs Trend Analysis



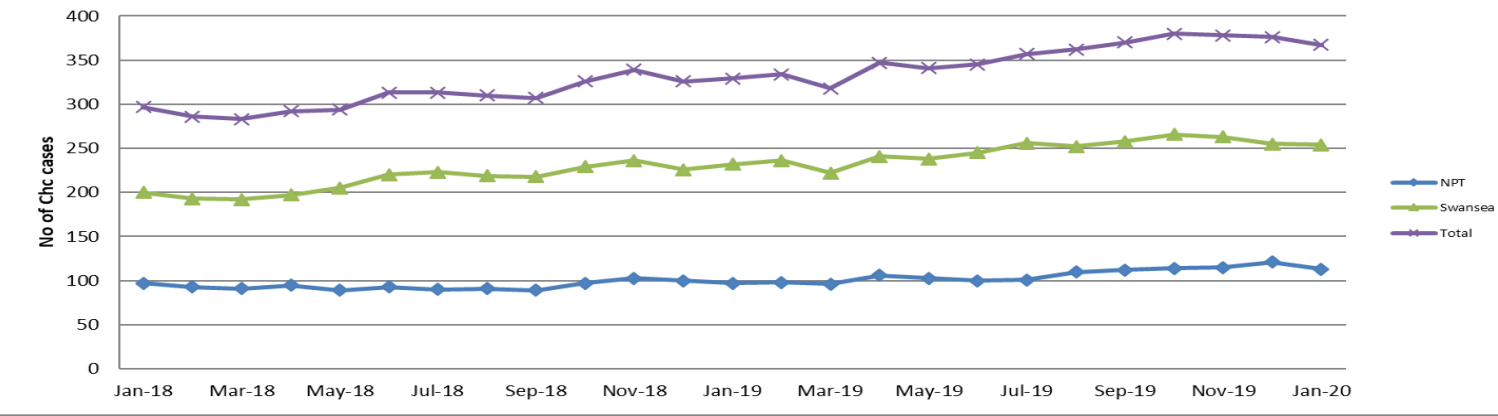
- Secondary drugs were stable in 2018/19, with little or no increase in costs reported compared to previous year.
- This year has seen secondary care drugs running above previous year expenditure levels. This is particularly reflected in NICE/High Cost drugs, with significant new approvals and more rapid implementation of new drugs.
- The HB has also been working with HMP Swansea and Public Health Wales on Hep C within the prison population, which resulted in increased costs during P2-P4.
- The significant reduction in P8 spend in previous year reflects a one-off technical benefit.
- Primary Care drugs were less volatile in 2018/19 than the previous year, due to greater stability of NCSO price concessions.
- The Cat M drug price increases are now being seen and the impact has been included in the year-end forecast.

Health Board – Non Pay

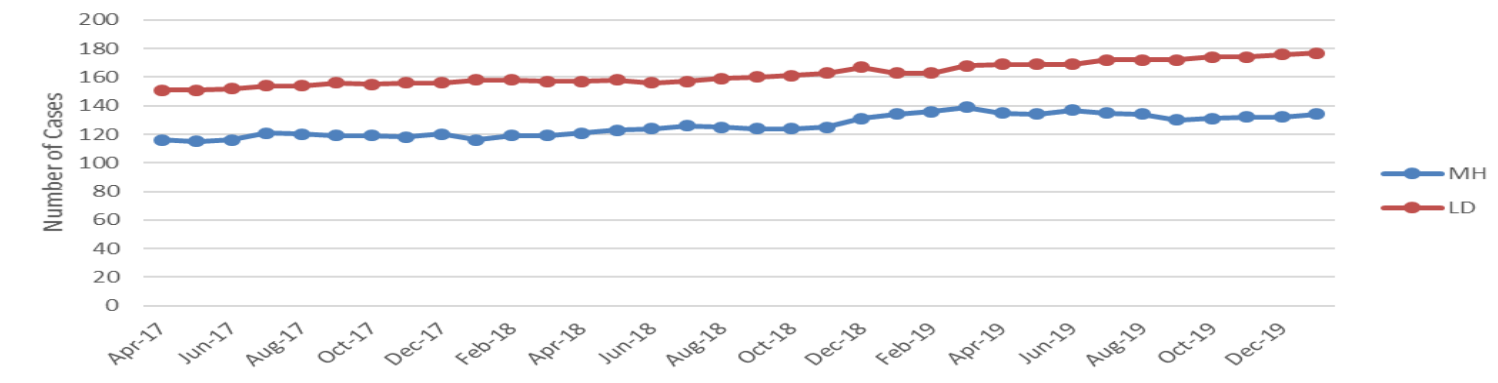
ChC Trend Analysis



ChC Case Numbers



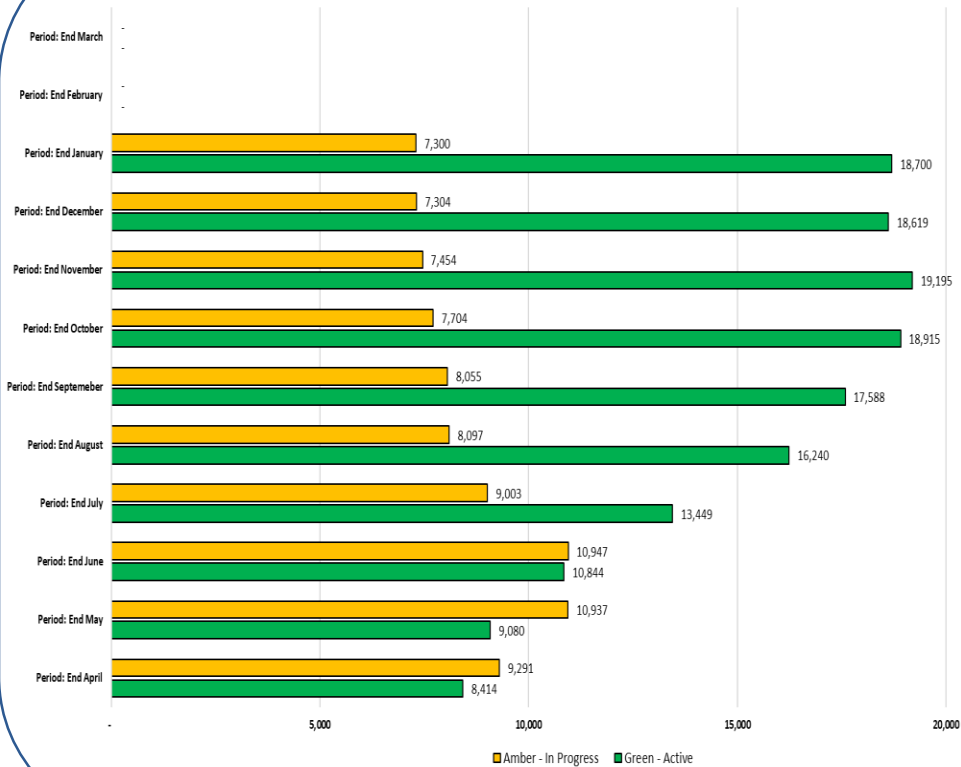
Mental Health & LD Cases



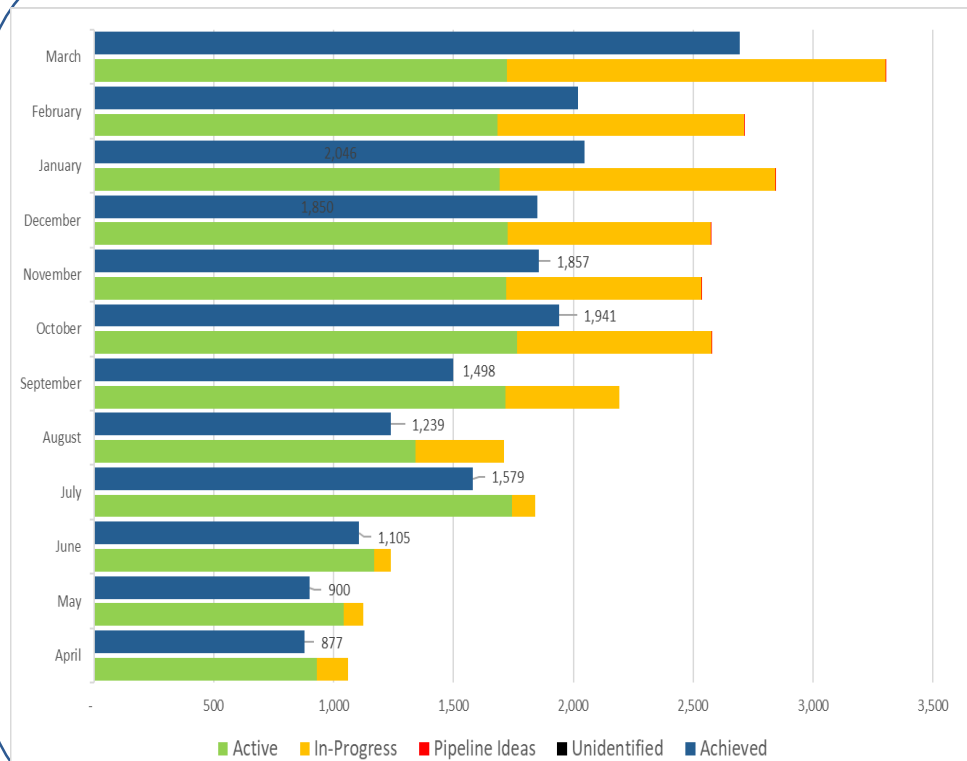
- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
- The expenditure for 2019/20 is significantly above that of the same period in the previous year and costs are continuing to escalate.
- The P10 expenditure is slightly lower than previous months as there have been some reductions in general ChC patient numbers during January.
- MH and LD cases have continued to increase.
- Please note that P09 expenditure reflects the application of the FNC and ChC inflationary uplifts which are backdated to the 1st April 2019

SAVINGS ANALYSIS

Trend over time



Current Profile of Savings



Narrative

- The Health Board financial plan required £22m savings to be delivered.
- To date, £26m of Green and Amber savings have been identified, however the forecast delivery against these schemes is £19.4m, which is short of the required savings level and does not provide any mitigation of the operational pressures that have emerged throughout the year to date.
- The savings include the impact of the HVOs.
- The further recovery actions/savings that have been rated as Green or Amber are also included.
- The KPMG work has identified further opportunities to improve financial position in this financial year, these opportunities are mainly enhanced grip and control. These are supporting the Health Board actions to deliver £12.3m but are not currently reflected within savings trackers.

Narrative

- The actual savings delivery for the first nine months of the years is £14.9m, with £4.5m forecast delivery in the last two months of the year. KPMG assessed the delivery confidence of this increasing level of savings and whilst savings are broadly recognised, KPMG have highlighted potential delivery risks which need to be closely managed.
- All non-delivering savings schemes are being reviewed to understand if there are opportunities to drive delivery either in year or in future year and also to improve the savings planning cycle risk assessment.

P10 UNIT PERFORMANCE

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Cumulative
	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Service Delivery Units											
Mental Health & LD	145	198	215	218	225	170	90	68	57	35	1,421
Morrison	137	236	561	553	525	597	583	575	592	366	4,725
NPT Unit	7	122	42	38	60	84	66	31	27	95	572
PC & Community	202	363	259	128	362	253	401	256	400	372	2,996
Singleton	124	132	143	254	190	151	280	270	339	206	2,089
Directorates											
Board Secretary	79	65	71	54	75	68	69	85	63	13	642
Chief Operating Officer	107	147	172	144	144	-30	-84	-33	-214	131	484
Director of Strategy	37	57	44	-13	-11	12	-18	20	60	-30	158
Director of Transformation	-1	-22	17	1	-2	36	4	1	2	3	39
Finance	44	84	76	61	9	10	38	35	24	30	411
Informatics	4	-15	13	-46	-57	-54	-9	-30	-15	-97	-306
Medical Director	6	-8	-3	-3	-3	-1	-1	-1	-4	-5	-23
Nurse Director	3	24	23	26	20	48	41	41	50	45	321
Workforce & OD	84	78	122	85	57	129	167	104	102	86	1,014
Clinical Medical School	-21	-24	-21	-18	-20	-22	-19	-11	-29	-21	-206
Research & Development	0	0	0	0	0	0	0	0	0	0	0
Corporate I&E	-68	0	-41	13	-82	0	0	0	0	71	-107
Delegated Budget Position	889	1,437	1,693	1,495	1,492	1,451	1,608	1,411	1,454	1,300	14,230
Corporate Plan	0	-400	-200	-200	-200	-200	-200	-200	-200	-100	-1,900
											0
Hosted Services											
Delivery Support Unit	-9	5	4	0	-1	-1	0	-19	2	-5	-24
EMRTS	-5	-5	0	0	0	0	0	0	0	0	-10
Health Board Position	875	1,037	1,497	1,295	1,291	1,250	1,408	1,192	1,256	1,195	12,296

- The Month 10 reported position is an in-month overspend of £1.195m, which results in a cumulative overspend of £12.296m.
- The key drivers continue to be :
 - Operational pressures, most significantly workforce costs, ChC and activity related income.
 - Identified savings being below required level and slippage against planned savings.
 - Bridgend Boundary Change diseconomies of scale impact.

FORECAST POSITION

	Risk Assessed Plan 2019-20 £m	Plan Assessment at Month 9 £m
Forecast Opening Position Post Bridgend Transfer*	-23.3	-23.3
Unavoidable Cost Pressures	-42.3	-42.3
Application of Core Funding Uplift	33.2	33.2
LTA Benefit	0.4	0.4
Required Savings	-32	-32
WG Non Recurrent Funding : supporting developments	10	10
Savings Requirement	22	20.2
Position prior to Bridgend Boundary Change	0	-1.8
Current Diseconomies of Scale	-5.4	-5.4
Mitigating Actions to manage Diseconomies of Scale	5.4	0.4
BBC Transitional Support	0	2
Position including impact of Bridgend Boundary Change	0	-4.8
In Year Cost Pressures :		
Income		-0.8
Workforce		-4
ChC		-3
Additional Capacity Excess Costs		-3
Final Pension Charges		-1.5
Commitments in Advance of Funding		2.5
Maximising Balance Sheet and Technical Benefits		2.5
Cat M Price Increases		-1.2
Welsh Risk Pool		-1.6
Updated Forecast		-14.9
Actions Recommended to the Board		
Discretionary Non Pay		0.5
Deferred Recruitment		0.3
Primary Care Prescribing		0.3
A&C 50% reduction in bank, agency and overtime		0.25
10% reduction in agency and overtime for AHP, HCS & E&A		0.1
HCSW Agency MH		0.1
Thornbury cessation		0.1
10% reduction in adh		0.2
Non substantive workforce reduction		0.15
Outpatients WLI		0.1
Surge redesign		0.2
Christmas cost reduction		0.3
Forecast following further actions		-12.3

- The table sets out the key movements from the Health Board initial financial plan, the in-year cost pressures and the actions agreed by the Health Board.
- These culminate in a year-end forecast deficit of £12.3m. This assumes £10m WG support is received and no performance claw-back.
- The work undertaken by KPMG reviewed the forecast and actions and highlighted potential delivery risks of around £3m, which needed to be managed.
- The latest position against the actions can be seen in slide 12.

FORECAST POSITION IMPACT ON DELEGATED POSITION

	Control	Latest Forecast	Variance from
	Total	Review	control total
	£000	£000	£000
Service Delivery Units			
Mental Health & LD	1,218	1350	132
Morriston	4,452	4963	511
NPT Unit	591	842	251
PC & Community	2,387	3342	955
Singleton	1,597	2190	593
Directorates			
Board Secretary	546	722	176
Chief Operating Officer	629	611	-18
Director of Strategy	108	199	91
Director of Transformation	51	37	-14
Finance	278	446	168
Informatics	-531	-531	0
Medical Director	-45	-39	6
Nurse Director	269	405	136
Workforce & OD	1,167	1155	-12
Clinical Medical School	-250	-250	0
Research & Development	0	0	0
Corporate I&E	-350	-200	150
	0		
Delegated Budget Position	12,117	15242	3125

- The table sets out the control totals set for each of the Units and Directorates in order to deliver the £12.3m year-end outturn forecast.
- The table also provides the latest forecast position from the Units/Directorates and the distance from the control totals.
- The current forecasts are £3.1m above the control totals required to deliver the £12.3m forecast deficit.
- This variance from control total reflects a combination of delivery risk on the Health Board agreed actions, savings slippage and continued cost pressures.

The further actions agreed by the Board in November have been communicated through Senior Leadership Team, Financial Management Group and Financial Recovery Meetings. A more general communication to the whole workforce has also been published on the Health Board intranet.

The key enhanced controls include :

- Non Pay
 - Catalogue restriction for non-essential, non-clinical expenditure
 - Travel review and increased use of Skype (including new guidance)
 - Greater scrutiny through QVC tier 2 panel
 - Medicines Management benefits
- Pay
 - Recruitment to non-rostered vacancies deferred to April 2020
 - Assessment of agency and overtime to reduce reliance
 - Cessation of HCSW agency and restriction of non-contract agency use through improved rostering
 - Improved medical cover planning through Locum on Duty
 - Assessment of all other non-substantive staff costs
 - Outpatient waits reviewed and clinically prioritised
 - Christmas/Seasonal planning
 - Surge Capacity management

	Average Spend £000	Target Max Spend £000	Month 9 Spend £000	Month 10 Spend £000
Discretionary Non Pay Reduction	480	355	438	643
A&C Bank/Overtime/Agency	237	118.5	135	124
AHP Bank/Overtime/Agency	114	102.6	75	103
HCS Bank/Overtime/Agency	92	82.8	78	52
E&A Bank/Overtime/Agency	137	123.3	139	147
ADH Reduction	644	579.6	701	463
Total Position	1704	1361.8	1566	1532
	Average weekly wte	Target Max weekly wte	Month 9 weekly wte	Month 10 weekly wte
Christmas	482.74	241.37	260.07	300.25
HCSW Agency Cessation	24.29	0	16.29	24.11
Thornbury Usage Cessation	2.73	0	7.85	8.9

- The table shows that there has been progress and achievement against some of the actions.
- However the expenditure reductions have not been as significant as planned.
- The operational pressures have also resulted in agreed cessation of HCSW agency and Thornbury agency not being able to be delivered.

REVISED FORECAST POSITION

	Risk Assessed Plan	Plan Assessment	Plan Assessment
	2019-20	at Month 8	at Month 10
	£m	£m	£m
Forecast Opening Position Post Bridgend Transfer*	-23.3	-23.3	-23.3
Unavoidable Cost Pressures	-42.3	-42.3	-42.3
Application of Core Funding Uplift	33.2	33.2	33.2
LTA Benefit	0.4	0.4	0.4
Required Savings	-32	-32	-32
WG Non Recurrent Funding : supporting developments	10	10	10
Savings Requirement	22	20.2	19.4
Position prior to Bridgend Boundary Change	0	-1.8	-2.6
Current Diseconomies of Scale	-5.4	-5.4	-5.4
Mitigating Actions to manage Diseconomies of Scale	5.4	0.4	0.4
BBC Transitional Support	0	2	2
Position including impact of Bridgend Boundary Change	0	-4.8	-5.6
In Year Cost Pressures :			
Income		-0.8	-0.8
Workforce		-4	-4
ChC		-3	-3.3
Additional Capacity Excess Costs		-3	-3.4
Final Pension Charges		-1.5	-1.5
Commitments in Advance of Funding		2.5	2.5
Maximising Balance Sheet and Technical Benefits		2.5	2.5
Cat M Price Increases		-1.2	-1.2
Welsh Risk Pool		-1.6	-1.6
Change in Discount Rate		0	-0.5
New PI Case Provision		0	-0.5
Updated Forecast		-14.9	-17.4
Actions Recommended to the Board			
Discretionary Non Pay		0.5	0.6
Deferred Recruitment		0.3	
A&C 50% reduction in bank, agency and overtime		0.25	
10% reduction in agency and overtime for AHP, HCS & E&A		0.1	
10% reduction in adh		0.2	
HCSW Agency MH		0.1	0
Thornbury cessation		0.1	0
Non substantive workforce reduction		0.15	0
Outpatients WLI		0.1	0
Surge redesign		0.2	0
Christmas cost reduction		0.3	0.2
Primary Care Prescribing		0.3	0.3
Forecast following further actions		-12.3	-16.3

- In light of financial performance in recent months, the inability to fully deliver on all of the agreed Board actions and the Unit and Directorate year-end forecasts, the year-end forecast has been reassessed and increased from the previously reported £12.3m.
- The revised forecast of £16.3m adds the £3m Unit and Directorate forecast variance from control total to the previously reported £12.3m. In addition, in recent weeks, the Health Board has been impacted on by a change in discount rate for pensions and personal injury from Treasury and a new personal injury case which has been approved. These have adversely impacted on the Health Board financial forecast by around £1m.
- It must be recognised that the Health Board £12.3m forecast was supported by the requirement to deliver £5m of technical non-recurrent opportunities. This has severely restricted the ability to manage further risks and non-delivery of plans.

There are two key strategic risks which continue to be treated as outside of the financial position assessment as they are subject to WG consideration and decision.

- WG Performance Funding Claw Back – the Health Board has received £6.5m performance funding to support RTT improvement and ensure no more than 938 patients waiting over 36 weeks for treatment.
- Current performance has fallen below plan and based on this performance, WG could be expected to claw back some or all of this funding.
- £10m non-recurrent WG support is also at risk if the Health Board is unable to provide assurance of the delivery of financial breakeven in 2019/20.

The Key drivers of the Month 10 financial performance continue to be:

- Workforce costs, particularly the premium rate costs of contingent labour and the additional staffing requirements to support performance and operational pressures;
- ChC growth and inflation, which need to be contained;
- Delivery of the planned savings requirement;
- Diseconomies of Scale following Bridgend Boundary Change

The Key Actions for the Executive Board are :

- To ensure all Units and Directorates deliver at worse their current forecasts and every effort is made to improve on these forecasts.
- To continue to drive and monitor the implementation of the Board agreed actions to ensure maximum delivery and support the delivery and improvement of the Unit and Directorate forecasts.
- To ensure that any local cost pressures are managed within existing resources through mitigations actions, savings and prioritisation of resources.
- To ensure any slippage on investments and commitments are reflected as improvement in financial performance rather than re-invested.

These actions are supported by the Delivery Support Team and KPMG work.